LEGISLATIVE LIBRARY OF BRITISH COLUMBIA
3 3298 00261 1912

PAVCO

PERFORMANCE PLAN

2002 – 2004

LEGISLATIVE LIBRARY
VICTORIA, B.C. V8V 1X4
MAY 2 3 200

PAVCO PERFORMANCE PLAN

TABLE OF CONTENTS

INTRODUCTION 2

MISSION, MANDATE, VISION, STRATEGIC GOALS AND VALUES 4

PERFORMANCE MEASURES 6

CORPORATE PROFILE 8

OVERVIEW OF STRATEGIC ISSUES 10

PAVCO, INDUSTRY & GOVERNMENT 10

EXPANSION OF THE VANCOUVER CONVENTION & EXHIBITION CENTRE 12

BC PLACE STADIUM REVITALIZATION AND LAND DEVELOPMENT 13

CAPITAL AND OPERATIONAL FUNDING 14

FACILITIES & DEPARTMENTS 16

1. BC Place Stadium *16*
2. The Bridge Studios *17*
3. Tradex *18*
4. Vancouver Convention & Exhibition Centre *19*
5. Meetings BC *21*
6. Corporate Sponsorship *21*
7. Corporate Marketing Communications *23*
8. Human Resources *23*
9. Corporate Finance and Information Technology *24*

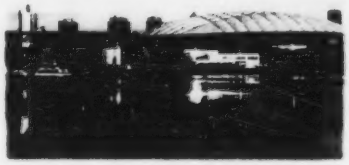
101-05381/

INTRODUCTION

As PAVCO looks toward the future, the organization is preparing for a variety of challenges and opportunities, while at the same time building upon its tremendous success pursuing its renewed mandate:

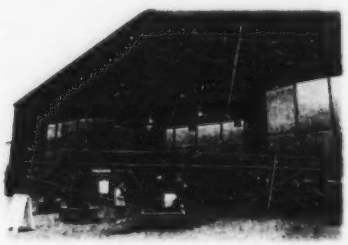
> *To generate economic and community benefit to the people of British Columbia through the management of public tourism and cultural facilities.*

Over the course of its history, PAVCO has developed a reputation for excellence in the management of public facilities. All of PAVCO's facilities have been operated so as to maximize their economic impact, while at the same time optimizing financial performance. The nature of the business is to support the economy and industry through the operation of facilities that, while they fulfill a vital public purpose and generate economic benefit, are not businesses that generate sufficient operating profits that the private sector would, or should, own them.

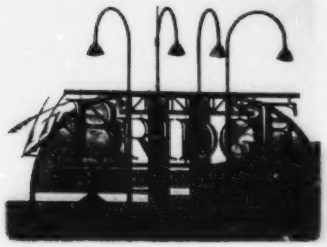


Currently, there are a variety of government organizations engaged in the management of publicly owned tourism and cultural facilities. These organizations report to government through a number of mechanisms and ministries. In the midst of this complexity, PAVCO stands out as the organization with a proven track record of managing, under one umbrella, a diverse range of public tourism and cultural facilities. There is a clear business case for establishing a new funding mechanism and expanding PAVCO's role managing specialized public facilities. Government will be able to optimize costs and reporting relationships, while ensuring that these public assets are properly maintained and operational synergies are achieved.

As the Corporation plans for the future it is clear that, despite tremendous achievements, some things must change in order to successfully move forward. BC Place Stadium is aging and in need of significant capital investment to remain a viable and valued public facility. The Vancouver Convention & Exhibition Centre needs to be expanded to ensure that Vancouver and British Columbia remain competitive in the international meetings, conventions and incentive travel marketplace. Significant economic benefit would result from the construction of a satellite special effects stage for the Bridge Studios. And, as PAVCO's Fraser Valley facility, Tradex, celebrates it's 10th year of operation in 2001, it too needs to be repositioned so as to optimize its benefit to the region.



Currently PAVCO receives its capital and operational funding based on an annual submission to Treasury Board. As the Corporation is not permitted to carry monies over from year to year, PAVCO is not able to establish replacement reserves for substantial capital initiatives, irrespective of the often predictable nature of these projects. This financial process and lack of a predictable funding source have reached a critical point. In order for the Corporation to properly maintain its assets and succeed in the future, a stable funding source and the ability to retain earnings have become essential.



In summary, the statement made by KPMG in its report evaluating the need for an expanded convention centre can be applied to the Corporation's perspective on the future: "The status quo is not an option."

MISSION, MANDATE, VISION, STRATEGIC GOALS AND VALUES

MISSION

To provide the best event experience for all our clients and guests.

MANDATE

To generate economic and community benefit to the people of British Columbia through the management of public tourism and cultural facilities.

VISION

To be the global leader in tourism and cultural facility management.

STRATEGIC GOALS

- To provide the highest levels of service and value.
- To broaden and increase economic benefit to the people of British Columbia.
- To optimize financial performance.
- To attract customers from international, national and local markets.
- To improve, expand and diversify our properties.
- To create healthy and supportive work environments for personal and organizational success.

VALUES

Financial Responsibility – We make significant economic contributions to the Province and strive to generate revenues to offset our operating costs.

Quality and Service – We set and meet high standards of service.

Respect, Fairness, and Honest Communication – We treat each other as we wish to be treated, and we openly share information to increase employee understanding and meaningful involvement.

Creativity and Innovation – We take responsible risks to find better ways, new methods and processes to get the job done.

Enthusiasm and Humour – We show our enjoyment of our work and each other.

Integrity – We apply our values and deliver on our promises.

Environment – We continually look for new ways of conducting our business to reduce environmental impacts.

PERFORMANCE MEASURES

TO PROVIDE THE HIGHEST LEVELS OF SERVICE AND VALUE

PAVCO is a customer driven organization. We must provide excellent service at all levels, or we risk losing new and repeat clients to other facilities. For this reason, we monitor customer satisfaction through two measures:

Measure repeat clients to the facilities. It is more cost effective to service a repeat client than to sell space to a new client. Due to the diverse nature of PavCo's facilities, the percentage of repeat clients varies.

Score on customer satisfaction surveys. In order to continuously improve customer service, we require feedback from event organizers. Surveys are sent to clients after their event and the results monitored.

TO BROADEN AND INCREASE ECONOMIC BENEFIT TO THE PEOPLE OF BRITISH COLUMBIA

Our mandate is to generate economic and community benefit to the people of British Columbia through the management of public tourism and cultural facilities. Using the services of an independent consultant, we measure net economic benefit generated by the Corporation based on the Tourism Economic Assessment Model developed by the Canadian Tourism Research Institute.

TO OPTIMIZE FINANCIAL PERFORMANCE

As with most corporations, one of PAVCO's strategic objectives is to optimize its financial performance. This is monitored by comparing the annual funding used for operations. The Corporation is subject to a stringent budgeting process which compares operating results against budget. PAVCO receives an annual subsidy from its shareholder, the Ministry of Social Development and Economic Security.

TO ATTRACT CUSTOMERS FROM INTERNATIONAL, NATIONAL AND LOCAL MARKETS

In addition to the objective of improving financial performance, PAVCO also has the mandate of increasing economic benefit to the community. These goals are not always compatible, as some events bring enormous economic benefit to the community, while providing little profitability to the Corporation. In order to measure the effectiveness of the Corporation's marketing efforts, PAVCO measures facility utilization, number of events by type, and tracks attendance by facility.

TO IMPROVE, EXPAND AND DIVERSIFY OUR PROPERTIES

PAVCO is responsible for operating, maintaining and upgrading more than $200 million in capital assets. The Corporation is not allowed to create reserves to provide for replacement of major assets, so the shareholder needs to be informed of their remaining useful lives. An important factor in persuading potential clients to book events at the Corporation's facilities is their physical appearance and the range of services provided. The measures required to monitor physical assets include measuring the estimated remaining life span of major assets and measuring the rate of replacement of assets.

TO CREATE HEALTHY AND SUPPORTIVE WORK ENVIRONMENTS FOR PERSONAL AND ORGANIZATIONAL SUCCESS

PAVCO evaluates success in relation to its work environment by measuring employee diversity, employee turnover, employee satisfaction, number of training hours, and absenteeism.

CORPORATE PROFILE

Corporate Office
600 – 375 Water Street
Vancouver, BC V6B 5C6

PAVCO is a provincial Crown corporation operating:

- Vancouver Convention & Exhibition Centre
- BC Place Stadium
- Tradex
- Bridge Studios

BC Place Stadium and the Bridge Studios are owned by PAVCO, while the other facilities are held under leasehold agreements. The Corporation also operated Robson Square Conference Centre until November 30, 2000. Robson Square was closed as a result of the landlord's decision to pursue alternative uses for the building.

PAVCO's facility base is located in the Lower Mainland and Fraser Valley. Resulting from a meeting with the Cabinet Committee on Crown Corporations in 1999, Management was requested to expand PAVCO role further into the regions of British Columbia. As a result, the Corporation has developed some initiatives to support the meeting and incentive travel industry outside the Lower Mainland.

ECONOMIC BENEFIT

It is estimated that for Fiscal 2002, PAVCO will generate over $577 million in economic benefit to the community and governments.

FUNDING REQUIREMENTS

Funding is received from the Ministry of Social Development and Economic Security. Since PAVCO's inception, annual funding from government has been reduced from more than $10 million in Fiscal 1988 to the $3.0 million expected for Fiscal 2002. This funding reduction has been driven by continuing government restraints as PAVCO has come closer to self sufficiency on operations, with the largest portion of the funding applied to capital projects. While the profitability of most facilities has remained consistent, the performance of BC Place Stadium has weakened as a result of lower event attendance and reduced sponsorship revenues.

Comparison of	Fiscal '98 Actual	Fiscal '99 Actual	Fiscal '00 Actual	Fiscal '01 Actual	Fiscal '02 Budget
Operating Profit (Loss) in $000	$(607)	$(1,261)	$1,138	$(731)	$(1,000)
Sustaining Capital	$(2,816)	$(2,074)	$(2,179)	$(1,386)	$(2,000)
Bridge Studios Construction	$(650)	$0	$(1,315)	$0	$0

OPERATING

Operating results have improved over the past 12 years to a point where the Corporation made a surplus in Fiscal 2000. Due to the downturn in BC Place Stadium profitability, the Corporation will incur a $731,000 deficit in Fiscal 2001, followed by a $1.0 million loss for Fiscal 2002. However, the Vancouver Convention & Exhibition Centre and Bridge Studios continue to operate at record levels.

Revenues for Fiscal 2002 at $26.2 million will be significantly lower than in recent years, most notably resulting from of the loss of Robson Square Conference Centre, and lower sponsorship income. The gross margin is expected to be lower at $15.13 million as a result of the decreased revenues. Facility costs will decline from Fiscal 2001 levels due mainly to the loss of the Robson Square Conference Centre.

CAPITAL

Through ownership or long-term operating agreements, PAVCO is responsible for the maintenance and upkeep of buildings and improvements costing close to $200 million. As PAVCO's facilities age, the requirement for regular maintenance and capital repairs increases. The advancing age of the facilities makes them less attractive to event producers, especially as more modern venues are available. In order to maintain competitiveness, it is essential to keep the facilities in first-class condition. While proper maintenance and upgrades represent an important investment, they reduce the profitability of the Corporation.

For the past few years, sustaining capital requirements have been at between $1.4 million and $2.8 million annually. Over the next few years, the annual requirement is expected to rise to $3 million. In addition to sustaining capital requirements, there is a need for project upgrades to BC Place Stadium and the Vancouver Convention & Exhibition Centre, the latter having being deferred while discussions were underway on expansion.

OVERVIEW OF STRATEGIC ISSUES

PAVCO, INDUSTRY & GOVERNMENT

SITUATION ANALYSIS

PavCo was established during Expo '86 to manage assets related to the World's Fair. Over the last 15 years, the Corporation has evolved into a sophisticated facility management organization with responsibility for a variety of Crown assets. The organization has clearly been in the business of operating public facilities with a primary purpose of generating economic and community benefit. As a result, the Corporation has embraced the mandate:

> *To generate economic and community benefit to the people of British Columbia through the management of public tourism and cultural facilities.*

PavCo is viewed as an extremely important organization due to the role it plays in the provincial economy. Since inception, PavCo has developed and garnered a considerable amount of intellectual intelligence concerning the operation, management and marketing of public assembly facilities and other Crown assets.

As we move into the 21st century, the industry is faced with immense changes in technology, competition, new venue types, client expectations, and event profiles. PAVCO's plans must be flexible, adaptable and build on its competitive strengths.

Overall, the tourism industry has grown and developed to be the recognized as one of the top three industries in British Columbia. Recently tourism growth has not been as buoyant or strong as previous years, and this is creating significant pressure on PAVCO's facilities to 'fill hotel rooms'. At the same time, THE province lacks an overall policy for business, eco, aboriginal, cultural and sport tourism.

Currently there are a number of government agencies operating public tourism or cultural facilities. These organizations each report to government separately and have their own administrative structure. PAVCO is unique in that it operates a diversity of facilities in the film, sports, entertainment, meeting, convention and incentive travel sectors. Through its history, PAVCO has experience successfully operating a number of other, equally distinct, facilities.

Corporately, we face varied requirements from a wide range of stakeholders, with the constant demand to provide more for less. While welcoming the increased accountability and responsibility, the conflicting directions and dearth of policy framework has created an increasingly impossible situation.

Pressures on government for the development and operation of meeting, convention and trade facilities throughout the province are continuing, particularly as communities seek to

diversify their economies. Currently there is no coordination or capacity planning for new development. There is an emerging issue that excess capacity may be developed and that new facilities may not be optimized if communities inadvertently undermine each others' investments.

Our industry faces an alarming rate of labour and talent shortages, both at the staff and management levels. This is creating a "poaching" environment, and PAVCO is directly affected by this phenomenon.

In February 2001, the Council of Tourism Associations (COTA), the Ministry of Small Business, Tourism and Culture and Tourism British Columbia began the process of developing a Provincial Tourism Growth Framework for British Columbia. The purpose of developing the Provincial Tourism Growth Framework is to enhance British Columbia's competitive position within the global tourism marketplace over the long-term by creating a vision for tourism growth and strategies to achieve that growth. PAVCO needs to ensure that the Provincial Tourism Growth Framework reflects the ongoing need for provincial government support for capital investment in public meeting facilities and attracting and retaining events. It is assumed that this Framework will become the impetus to develop and prioritize tourism policies for all sectors of the tourism industry (e.g.: eco, aboriginal, sport, arts, culture, conventions and events tourism).

STRATEGIC APPROACH

PAVCO and its management team is recognized throughout North America as a leader in its field. This high level of expertise honed over the course of the last 15 years needs to be more broadly leveraged to support the implementation of public policy objectives pertaining to the industry. There are a number of ways in which PAVCO can build on its benefit to the public.

PAVCO is undertaking a review of its scope of operations, financial operating environment and governance structure, with a view to identifying ways in which the Corporation can further support government public policy objectives, such as streamlining reporting relationships, reducing duplication, and optimizing financial performance. As the leader in the management of public tourism and cultural facilities, PAVCO is well positioned to take on the responsibility of operating additional new or existing Crown assets related to its industry. As government looks to reduce multiple reporting relationships and reduce administrative costs, PAVCO is fully prepared to work with government and related Crown organizations to identify efficiencies or synergies. Management believes there is a sound business case to optimize the use of public funds invested in tourism and cultural facilities by enhancing PavCo's role with respect to the operation of these assets.

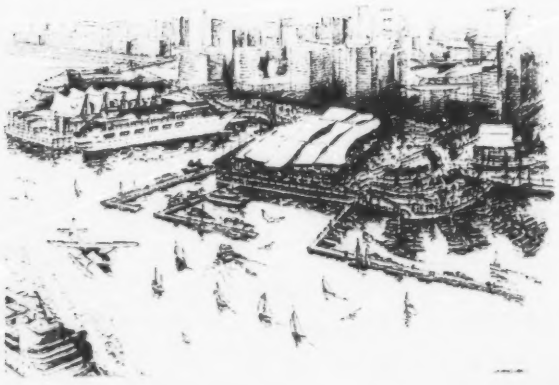
PAVCO launched new initiatives in Fiscal 2001 aimed at supporting the development of the meeting and incentive travel industry in the regions. Projects to date have included a project with the community of Quesnel and the development of an on-line provincial meeting venue directory. In the case of Quesnel, PAVCO worked with the community to determine the viability of developing the meetings and incentive travel business in the

north Cariboo. A report has been submitted to Quesnel and the community intends to move forward with the project. Another major new initiative undertaken by PAVCO was the creation of *meetingsbc.com*. This Internet portal web site is supported by a database that provides information on meeting facilities across BC. The program is not funded as part of PavCo's on-going operations and will need to be funded externally through sponsorships and partnerships. By working with communities and industry to build BC's meeting and incentive travel economy, PAVCO is able to extend its expertise and economic benefit mandate more directly to communities across the province.

Through participation in the Provincial Tourism Growth Framework, PAVCO is working to ensure that the needs of the business tourism sector are included in the recommended framework. Areas such as capacity management, the operation of existing and new public tourism and cultural facilities, and cooperative marketing are all important components of the future of the business travel economy in British Columbia. As government looks to streamline itself and reduce multiple reporting relationships, PAVCO stands ready to manage an increasing portfolio of properties in the tourism and cultural sector. With a proven track record of success managing a diverse range of facilities, PAVCO is uniquely qualified to take on this role.

EXPANSION OF THE VANCOUVER CONVENTION & EXHIBITION CENTRE

SITUATION ANALYSIS



The Vancouver Convention & Exhibition Centre (VCEC) is an integral part of British Columbia's tourism infrastructure, generating some $233 million in annual economic impact, including $73 million in tax revenues, and supporting 3,930 full-time jobs. An industry-based Task Force was formed by a number of interested groups including: PAVCO, Tourism Vancouver, the Vancouver Board of Trade, and the Vancouver Hotel Association. The Task Force has now completed and released a business plan for the expansion of the VCEC. The business plan provides an analysis of the business opportunity and facility requirements for an expansion, as well as a detailed concept proposal and costing. This business plan has been formally submitted to the provincial and federal governments and the City of Vancouver, and presented to the community via a media press conference in October 2000. The concept proposed by the Task Force is adjacent to and contiguous with the existing VCEC, an approach that was evaluated and endorsed by PAVCO Management in early 2000.

At the time of writing, despite overwhelming endorsement from the community and industry, no commitment has been made to fund the construction of an expanded facility. As the convention business dictates advance planning years ahead of actual events, delays in the project decision have a present day impact on activities for the facility, not to mention millions of dollars in unrealized potential economic benefit. The economic activity lost as a result of delays, which postpone the project completion date, exceeds $200 million annually.

STRATEGIC APPROACH

As the need to expand the VCEC has now reached a critical stage, PAVCO will continue to pursue this project with vigour. Without expansion, the region and province will continue to lose valuable convention business to other competing destinations, depriving the economy of significant jobs, economic benefit and incremental tax revenues. In the short term, funding needs to be secured for land acquisition and construction. As a founding member of the Task Force and as the provincial Crown corporation responsible, PAVCO will continue to work with industry partners and government to ensure that funding is secured. While it is unthinkable that this project will not move forward, Management will continue to monitor resources dedicated to the proposal to ensure that the Corporation is insulated should governments not fund the project at this time.

BC PLACE STADIUM REVITALIZATION AND LAND DEVELOPMENT

SITUATION ANALYSIS

Built as an economic engine to expand business opportunities, BC Place Stadium has achieved that goal. Since the Stadium was opened, the area surrounding the facility has been extensively redeveloped and is now prime commercial and residential real estate. This facility was built in 1983, close to downtown Vancouver on unused industrial land, surrounded by parking and unrestricted by noise constraints. The lands surrounding the Stadium have been extensively developed over the past number of years and the parcels now remaining to be upgraded, known as the North East False Creek lands, include a portion of the Stadium site.

PAVCO is also looking to replace its Robson Square Conference Centre, which was closed November 30, 2000, as a result of the landlord's decision to pursue other uses for the facility. Robson Square fulfilled a market requirement of providing meetings and conference space in downtown Vancouver, complementing facilities provided by both the private sector and the Vancouver Convention & Exhibition Centre.

STRATEGIC APPROACH

Management has been working with the City of Vancouver to evaluate alternative development options for the Stadium property. Current plans for the BC Place Stadium parcel include three towers, additional parking and a new Downtown Conference Centre. Proceeds from the sale of development rights and leasehold interests will contribute to interior and exterior enhancements to the Stadium. The new Conference Centre, which will replace Robson Square Conference Centre, will provide event space for local businesses, conferences, and break-out space for Stadium events. Development and construction costs will be financed primarily through title and secondary sponsorship agreements. It is anticipated that development of the area will be complete in five years.

CAPITAL AND OPERATIONAL FUNDING

SITUATION ANALYSIS

PAVCO is responsible for the maintenance and upkeep of buildings and improvements with a book cost of over $200 million through ownership or long-term operating agreements. As PAVCO's facilities age, the requirement for regular maintenance and capital repairs increases. These rising costs reduce profitability for the Corporation, and the advancing age of the facilities makes them less attractive to event producers, especially as more modern venues are available. In order to maintain competitiveness, it is essential to keep the facilities in first-class condition. Current funding requirements for capital programs for the Corporation fall into the following categories: sustaining capital, extraordinary items, and a one-time upgrade of the Vancouver Convention & Exhibition Centre (VCEC).

The annual sustaining capital needs of the Corporation were close to $2.4 million in Fiscal 2001. However, due to a downturn in operations at BC Place Stadium, this allocation was reduced to $1.3 million to cover the shortfall. Even at a basic level of $2.0 million investment fixed for 2002, capital projects focus on replacing worn out assets rather than investing in new assets that can generate new revenue streams. At the current funding level, the investment in capital replacements represents less than 1% of the total asset base, and as such cannot be sustained for long without the facilities' appearances deteriorating.

Funding from the Provincial Government has fallen dramatically over the past ten years, and the grant covers both capital and operating requirements. In years with lower operating results, funding has been diverted from capital to operations to cover the operating deficits.

Current policy does not allow PAVCO to set up reserves to replace major assets. Included in this category are the roof and artificial turf at the BC Place Stadium, and the roof at VCEC. The turf has a probable life span of up to five years, and the roof with careful

maintenance could last for up to ten years. Management has been advised that if a major asset needs to be replaced (cost over $10 million), adequate notice should be given to Treasury Board staff in order for the replacement to be included in the Provincial Capital Plan.

Because of the deferral of renovations while awaiting a decision on expanded convention facilities, investment is now required at the VCEC to bring it up to the standards expected of a first-class convention facility. The upgrade will include a revitalizing of convention, meeting room, ballroom and reception space to keep it up to the standards of the facility's competitors and will cost just over $4 million (funding yet to be approved). In competition with the VCEC are many new facilities that are fully wired for interactive videoconferencing, simultaneous translation, and other technological standards. Apart from the addition of new telephone Internet connections as a legacy of the 1997 APEC Conference, the VCEC is virtually unchanged in its configuration since it opened in 1987.

STRATEGIC APPROACH

As Management continues to work within the status quo to achieve optimal capital and operational funding targets, it has become clear that the existing arrangement is not in the best interest of the public or PAVCO's customers.

The inability to establish replacement reserves for major capital projects is contrary to the best interests of the public, as it jeopardizes both the assets and their ability to fulfill their mandate. Furthermore, it places undue pressure upon government to fund lump-sum capital projects which, through their predictable nature, should be funded through a replacement reserve. In this manner, government funds could be focused on new and non-recurring expenditures, such as facility upgrades potentially required for the 2010 Olympics.

Finally, the nature of PAVCO's role as an economic generator suggests that the Corporation's funding should be formulaic, in other words tied to the economic benefit or other appropriate measure resulting from the Corporation's activities. In this manner, government would be systematically reinforcing PAVCO's desired policy outcomes while also relieving itself of the on-going administration associated with funding requests. Management intends to work with government to identify a suitable funding mechanism from existing tax streams.

FACILITIES & DEPARTMENTS

1. BC Place Stadium

PROFILE

Opened in 1983, BC Place Stadium is the world's largest air-supported domed stadium. With seating for 60,000 and 247,000 sq. ft. of exhibition space, BC Place Stadium is the province's largest arena and trade show venue. This multi-purpose facility is home to the CFL 2000 Grey Cup Champion BC Lions, as well as the Province's largest trade and consumer shows.

SITUATION ANALYSIS

The Stadium is busy approximately 200 days a year hosting trade and consumer shows, entertainment and sporting events. As Stadium occupancy is focused during the peak periods, primarily the spring and fall, one of the most significant challenges facing the Stadium continues to be the limited date availability during peak season. Trade and consumer shows, BC Lions' games and spectator events all desire spring and fall dates for their shows. These periods have limited dates available for new shows or for existing shows to move dates.

Changes in the corporate sponsorship market are also having an impact on Stadium operations. Increasing demand for corporate funds by other organizations and more sophisticated sponsor requirements are also affecting revenue. The recent departure of tobacco sponsorships from other major events in the community is further contributing to a downward trend in the availability of sponsorship funds.

Existing and potential future competition from other public trade show venues is also an area requiring attention. Proposals for other area trade show facilities as part of a new PNE and Richmond Trade and Exhibition Centre could significantly impact this important revenue generator for the Stadium.

One of the most exciting opportunities facing the Stadium is its central role in the 2010 Vancouver Whistler Olympic bid. The Stadium is the only facility large enough to host the opening and closing ceremonies and is also being considered as the venue for medal ceremonies as well as cultural and entertainment events.

STRATEGIC APPROACH

Upcoming changes in the Stadium's business environment clearly point to the need to attract new events in off-peak periods and to diversify the mix of revenue sources. While the traditional team sports and trade show categories remain limited, other sports and live entertainment categories show potential for growth.

In order to address these challenges the Stadium will require added investments beyond sustaining capital requirements. Stadium Management has identified $7.5 million is required for extraordinary capital projects in Fiscal 2003. The funding is required to construct a Stadium amphitheatre and to install an air conditioning system, both of which will substantially enhance the adaptability and revenue generation of the Stadium. A portion of the funds will be directed toward exterior renovations and enhancements to the building.

A key long-term requirement for the Stadium is the replacement of the roof. While it is nearing its intended life-expectancy, Management estimates the roof could last for another 10 years. A variety of options are available, however, issues such as the Stadium's role in the 2010 Winter Olympics will have a significant bearing on how the facility plans for this major capital investment.

2. The Bridge Studios

PROFILE

With 197,000 square feet located on a fifteen acre site, the Bridge Studios features North America's largest effects stage, six sound stages, wardrobe, props, mill and workshop facilities, as well as production offices. Opened in 1987, the Bridge has had a successful history both developing and fostering British Columbia's film and television industry.

SITUATION ANALYSIS

Originally built to generate growth in BC's film industry by providing a stable base of operations, the success of the Bridge has led to new private sector studios being built, often with significant financial support from government. While the private sector has entered the market in a larger way, only the Bridge offers the special effects stage required to attract big budget features that provide the maximum economic benefit to BC. As special effects stages do not operate at the same high occupancy levels as other stages, they are not profitable on their own. However, feature film production creates approximately four times the economic benefit to the province than other productions.

Fiscal 2001 saw the Bridge achieve $285 economic benefit with a promising forecast of $295 million for Fiscal 2002. Both years represent record numbers for the facility. Film production is expected to continue to grow based on the excellent local crews, outstanding locations, proximity to Los Angeles, and the low Canadian dollar. This growth will continue to place pressure upon the Bridge to maximize its value to film producers and taxpayers of British Columbia.

STRATEGIC APPROACH

Although the private sector is filling the immediate need for television stages, feature film stages, the size and shape that can accommodate large-scale effects-driven pictures such as James Bond and Star Wars, are not available. British Columbia is losing these large-scale pictures to the UK, Australia, and Mexico. In order to maintain and the feature film business, BC needs a stage larger than the Bridge's effects stage, which has been outgrown by many large feature films. Since a facility of this size would not be highly profitable, it is unlikely that the private sector would be interested in ownership. Management believes that government, through PAVCO, is the best developer of such a facility since its benefits are more of an economic nature than a financial one.

3. Tradex

PROFILE

PAVCO's Fraser Valley facility, Tradex, is located at the Abbotsford Airport. At 120,000 square feet of exhibit space, the facility has BC's second largest trade show floor, after BC Place Stadium. With more than one million people within a 60 kilometre radius, the facility continues to provide the opportunity for Fraser Valley businesses to have a showcase close to home. In 2001, Tradex celebrates its 10th anniversary.

SITUATION ANALYSIS

While the economy has been in a progressive downturn for some time, the show industry is only now starting to feel the impact. Show producers are having greater difficulty in obtaining exhibitor support which resulted in some show cancellations in Fiscal 2001 at Tradex. The City of Abbotsford has been encouraging the development of a number of "motel" style developments in the area making

it a high-risk investment for a full-service hotel developer, the latter being more favourable to the development of the show industry. However, the Ramada Inn in Abbotsford is proceeding with a 17,000 square foot conference/banquet room expansion which will complement Tradex. Meanwhile, further up the valley, the City of Chilliwack is seeking design proposals for a 150,000 square foot multi-purpose and equine facility. As with BC Place Stadium, a proposed PNE expansion in Surrey and the new Richmond Trade and Exhibition Centre are also areas of concern. The full impact of these new or proposed facilities on Tradex has yet to be determined.

STRATEGIC APPROACH

Over the medium term, the development and implementation of an image enhancement program to key focal points inside and outside the facility will improve the facility's marketability. Existing relationships with clients and the community will be built on to grow customer attendance and to optimize the use of the facility to generate economic benefit to the area. Management is implementing programs to improve access to the facility as well as a significant reconfiguration of the parking areas to upgrade capacity.

4. Vancouver Convention & Exhibition Centre

PROFILE

With 150,000 square feet of function space and a majestic waterfront setting at Canada Place, the Vancouver Convention & Exhibition Centre (VCEC) is BC's premier meeting and convention facility. Opened in 1987, the VCEC occupies the former Canada Pavilion from Expo 86. The current facility can accommodate up to 8,000 guests for a variety of functions.

SITUATION ANALYSIS

The VCEC is an integral part of BC's tourism infrastructure, generating some $233 million in annual economic impact, including $73 million in tax revenues, and supporting 3,930 full-time jobs. The recent expansion of the Vancouver International Airport, improvements in air access, Vancouver's spectacular location and the low Canadian dollar have all contributed to the possibility of significant increases in convention business, offering major potential to the provincial economy. Since opening in 1987, the VCEC has neither expanded nor significantly renovated and has fallen far behind facilities in competing destinations. As a result, it is now turning away potential new business due to the lack of availability.

The business climate is also being affected by a slow economy, an Asian market still in recovery, and now a slowing US economy. However, hotel construction in Vancouver has created an abundant supply of accommodation which, in conjunction with the low dollar and a desirable setting, has contributed to the local success of the meetings and incentive travel industry. The combination of these positive factors in addition to an expanded facility, would leave the VCEC in an enviable position compared to competitive markets.

STRATEGIC APPROACH

Strategic planning for the VCEC continues to be dominated by the issue of whether or not the proposed major facility expansion takes place. In practical terms, this means there is a need for an interim approach that balances expansion readiness with intensive ongoing activities to retain and build market position based on attributes of the existing centre. Over the longer term, two diverging strategies would respond to the expansion issue alternatives.

Should expansion proceed, a high priority will be placed on activities that would ensure the development of a functional, marketable centre as construction proceeds, while anticipating the market opportunities and demands of the expanded facility once completed.

Should expansion *not* proceed, the VCEC will need to proceed rapidly with capital improvements and service innovations in order to maintain market share and respond to growing competition from new, expanded and updated facilities elsewhere.

In either case, the VCEC will have to respond to key emerging issues and opportunities that have significant potential to impact operations and market positioning. These include a shortfall in qualified staff, intense competition from improving and expanded facilities in competitive markets, and stagnant funding levels which reduce the success of marketing programs and inhibit facility improvements.

In the interim, the VCEC is now operating at essentially full capacity, given seasonal business distribution. The only opportunities for business growth lie in developing new service products, improving the flexibility of space to maximize utilization, and concentrating on high-yield business to achieve the best return on assets. The last option is somewhat compromised by the VCEC's commitment to giving preference to convention business which generates greater overall economic impact, but yields lower room rental rates.

5. Meetings BC

SITUATION ANALYSIS

As a result of a 1999 meeting with the Cabinet Committee on Crown Corporations, Management was requested to expand PavCo's role to further benefit the regions of British Columbia. As BC's leader in the meeting and incentive travel business, it was determined that supporting the development of this industry on a provincial basis was consistent with the organization's mandate. Unlike leisure travel, which is marketed and supported by Tourism BC, there is no provincial organization supporting the operation or marketing of the meeting and incentive travel business. Since that time, PavCo has been leading the development of a comprehensive portal web site that will provide access for meeting planners to information concerning meeting venues in BC. The project has been undertaken with the participation of Tourism BC and regional destination marketing organizations.

STRATEGIC APPROACH

The development of *meetingsbc.com* is nearing completion and the program will be launched in the summer of 2001. The high potential economic return to the regions resulting from the development of the provincial meeting and incentive travel business, and the value of the portal website, is unquestioned. While PavCo has the resident expertise to develop and market the website and related programs, the program is not funded as part of PavCo's on-going operations. Management will be working closely with industry and government to ensure that this valuable program is maintained and supported.

6. Corporate Sponsorship

SITUATION ANALYSIS

In the early 1990's, the PAVCO sponsorship program delivered exactly what sponsors wanted – signage and exposure. In recent years sponsors expectations have changed and the program has become outdated. The recent economic downturn in both Canada and the United States indicates that overall marketing spending will also decline. Such a decline will inevitably impact sponsorship spending and previous projections. The competition for sponsor dollars both regionally and nationally has grown exponentially. The result is an intensely competitive market where the best and brightest quickly rise to the top. Along with the extraordinary increase in competition has come a significantly more sophisticated, discerning, and value-conscious buyer.

STRATEGIC APPROACH

As with any program, venue or opportunity, keeping pace with market requirements is necessary in order to meet both the needs of PAVCO facilities and the demands of existing and potential sponsors.

A successful program will see revenues based on the value of deliverables and market demand, rather than the financial need of the property. The ongoing challenge will be to create a sponsorship program that can meet current demands of sponsors and be flexible to an ever-changing marketplace.

In addition, there is a growing market in the business-to-business area where potential sponsors want access to smaller, more specialized markets. With the possibility of a new Downtown Conference Centre and an expanded Convention Centre, PAVCO is well positioned to capitalize on this market.

7. Corporate Marketing Communications

SITUATION ANALYSIS

The diverse nature of PavCo's facilities, as well as the need to position each one within its individual marketplace, has given rise to some inconsistencies in corporate and product positioning, both externally and internally. This is noticeable through the absence of an overall integrated and leveraged marketing and communications program, both corporately and across all lines of business. The interrelationship of the facilities and the Corporation's mandate are not readily apparent through existing materials. In the past significant departmental resources have been directed at individual projects on an as needed basis. This resulted in some inconsistencies and occasional unpredictable deliveries of projects.

STRATEGIC APPROACH

The implementation of a strong corporate positioning program will be the department's primary focus for the foreseeable future. This involves corporate branding, consistent high-calibre support for facility marketing needs, strengthened media relations activities, development of an Intranet for PAVCO staff, and major overhaul of the back-end of all the Corporation's web sites. The successful implementation of these initiatives will support both the business and public objectives of the organization.

8. Human Resources

SITUATION ANALYSIS

The biggest human resources challenge PAVCO will face in Fiscal 2002 and beyond is the retention of talent. The unemployment rate is expected to continue to be the lowest in three decades and baby boomers are set to retire from the labour force. The current shortage of senior managers, particularly in the tourism and hospitality sector, is projected to continue, exceeded only by executive talent shortages.

STRATEGIC APPROACH

The 2002 Human Resources Business Plan is designed to respond to PAVCO's need to retain its skilled and productive employees - *The Right People* who are committed to the mission and strategy of the Corporation because their needs are being met. It gives highest priority to actions which will "re-recruit" PAVCO's own workforce. It is a strategy for keeping PAVCO employees committed to the Corporation through its commitment to them.

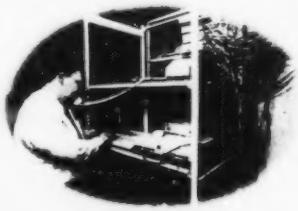
The goal is for every employee to feel valued, fairly compensated, part of a team, appropriately challenged, safe and well, supported in their work, as well as in their work and family balance.

9. Corporate Finance and Information Technology

SITUATION ANALYSIS

Corporate Finance is the centralized policy and processing department for the Corporation's financial, contract administration and payroll needs, as well as the provider of financial assistance for the smaller facilities (Each major facility has its own finance department to process day to day transactions, and maintain facility financial controls.). Corporate Finance also directs an Information Technology (IT) department which maintains financial, human resources, e-mail and other systems for the organization. The Corporate-wide financial and IT systems have adequately met the Corporation's needs since inception, but need to be reviewed to ensure that the needs of all stakeholders continue to be met.

STRATEGIC APPROACH



For Fiscal 2002, the priority will be to have a complete IT system review carried out by an independent consultant to determine:

- that the correct system platforms are in place;
- that the correct software applications are in place;
- the correct management structure of the IT department is in place; and that
- the systems in place are adequate to carry the Corporation into the future.

Once the review is complete, Management will investigate costs of applying its recommendations, with a view to integrating applications and creating a system that is more customer and stakeholder friendly. The goal is to provide financial and IT structures that, while at a reasonable cost to the Corporation, are sophisticated, streamlined and user friendly.